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CPEC: Corridor with Multiple Doors

(A Five Year Review)

By Mr. Shakeel Ahmed Ramay

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The author is Member Advisory Board CGSS and Executive
Director Zalmi Foundation, Pakistan

A five-year review of China-Pakistan Economic Corridor (CPEC) divulges that it contributed two percent to national GDP besides 70,000 jobs. Decoding of this two percent shows that the country is simultaneously heading towards economic progress and growth-led activities. CPEC related activities would help revitalize economy, boost energy sector, improve roads and railways networks, and provide required investment for industry and agriculture paving the way for Foreign Direct Investment.

The Phase I of CPEC was designed to help Pakistan overcome its energy crisis, determine appropriate investments and upgrade connectivity infrastructure. As the

energy crisis has been negatively impacting the national economy since 2013, Pakistan has so far lost \$5 billion of its GDP, (Vision 2025 of Pakistan), leaving aside the social cost. Investment under the umbrella of CPEC added 10,000 MW to national grid as shown in the table below. The contribution of CPEC in GDP will continue to increase till 2020 and Pakistan will be able to tackle the issue of energy crisis by the same year.

Fuel Type	Available Capacity (MW) 30-06-2013	Available Capacity (MW) 30-05-2018
Hydel	6928	7486
Oil	6778	4634
Gas	4352	4430
RLNG	0	6745
Coal	30	2638
Nuclear	615	1246
Renewables	50	1524
Total	18753	28704

Transport infrastructure upgradation is another supplementary investment under CPEC. In 2012, National Highway Authority realized that Pakistan needs \$1.5 billion for the rehabilitation of transport network. Furthermore, it was highlighted that Pakistan also needs substantial investment to overcome the deterioration of the sector due to NATO containers and population explosion in Pakistan. In this

backdrop, CPEC came with an investment of \$11 billion and helped improve the status of sectors.

Successful completion of the first phase of CPEC revived the confidence of international players in the progressing economy, so they have started investing in. The list includes investors from USA, Germany, France, UAE, Qatar, Oman and UK. Companies like Foton, Volkswagen, Microsoft, Suzuki and others are likely to invest in Pakistan. Saudi Arabia has already announced an investment of worth \$20 billion in the first phase of cooperation between the two countries. CPEC contributed to boost investment in two ways; first it provided the basic infrastructure for investment, and second it built the confidence of investors to invest in the country. Now, Pakistan and China have entered the Phase II of CPEC, which is dominated by Special Economic Zones (SEZs), industrial cooperation, skills and social development, and greening of CPEC. Industrial cooperation and establishment of SEZs will be the real game-changers. They will enhance the industrial base of Pakistan and will help end the trade deficit. Currently, Pakistan is undergoing the worst sort of current account deficit due to high imbalance in exports and imports. SEZs will be the main attraction in industrial development and provide the base for multiple businesses. Both the countries have already started finalizing the establishment of SEZs. These initiatives will not only improve the status of industry but also create myriads of jobs for the youth. Pakistan will have to sustain seven per cent growth rate for next many years to consume the youth bulge.

For jobs creation, CPEC promises hefty investment in skills development, especially for the un-educated youth and madrasa students, who are in millions. Presently,

the literacy rate of the country is 58 per cent, which means almost 89 million people are illiterate. Besides, 24 million children are out-of-school, and 1.5 million children are studying in madrassas. It is being predicted that CPEC would help Pakistan engage this huge chunk of population.

Greening of CPEC is another area, which would be tackled during the second phase. It is in accordance with the vision of “Eco-civilization” of President Xi. Although, investment in clean energy (like Quaid-i-Azam solar park, wind energy corridor, and hydro-power generation) is already the part of CPEC, but now efforts are under way from both sides to further push the idea of green development.

CPEC has also a great relevance for regional connectivity. Regional countries, including India, Iran, and Afghanistan have been offered to become the part of it. India is dreaming for years to connect to Afghanistan and Central Asia, and CPEC provides an excellent opportunity to India to materialize its dream. India is also the part of another corridor initiated by China, i.e. China, Bangladesh, Myanmar, and India (CBMI) corridor. CPEC can be connected to CBMI and it will pave the way for two-way connectivity of multiple countries and regions (Central Asia-South Asia-South- East Asia).

Afghanistan has already showed interest in CPEC. China, Pakistan, and Afghanistan are at some advanced stages to finalize the formalities of inclusion. China and Pakistan believe that economic development will help restore sustainable peace in Afghanistan and across the region. Tri-lateral group has already been established and economic cooperation is one of the key areas of work.

Iran has also showed keen interest in the CPEC. Iran presents Chabahar port as sister port of Gwadar. It has also officially requested China to look for the possibility to invest in Chabahar port. Iran will get the opportunity to connect to Turkey, Iraq and Middle East.

Central Asia will also be able to connect to Pakistan through Afghanistan. It will pave the way for India's connectivity with Central Asia through Pakistan, if India intends to join the CPEC initiative. Central Asia will be able to engage itself directly with South Asian countries and vice versa. Connectivity of Central Asia will present an opportunity for South Asian countries to cope up with their energy demand. As Central Asian is home to huge energy resources, it will also benefit to direct import the required items and attract investment from the region. It would be a win-win opportunity for all players.

CPEC can also play a significant role in improving the state of infrastructure of all the regional countries. It can provide substantial investment to manage the economic crunch. For example, South Asia lacks basic infrastructure to boost the regional trade. Existing infrastructure is in bad shape and requires major improvements. The World Bank in 2014 estimated that South Asia needs \$1.7 to 2.5 trillion till 2020 to improve the infrastructure. Breakdown suggests that every year the region has to invest 6.6 to 9.9 per cent of regional GDP.

However, to avail all these opportunities, regional countries will have to be on the same page and try to sort out their differences. China and Pakistan have taken first step to tackle the issues and invited all regional players to be part of CPEC. CPEC can be turned into a "peace maker" deal in South Asia and beyond the region. It is an

opportunity with multiple doors and doors are open to everyone. Now all countries have to decide, “either they want to grow together or suffer together” .

